WISCONSIN BANKERS ASSOCIATION

December 16, 2005

VIA FACSIMILE
Ms. Jennifer J. Johnson, Secretary
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue, N.W.,
Washington, DC 20551
Fax 202/452-3819

RE: Truth in Lending, Docket No. R-1217

Dear Ms. Johnson:

The Wisconsin Bankers Association (WBA) is the largest financial institution trade association in Wisconsin, representing 310 state and nationally chartered banks, savings and loan associations, and savings banks located in communities throughout the state. WBA appreciates the opportunity to comment on the second advance notice of proposed rulemaking (ANPR) issued by the Board of Governors of the Federal Reserve System (FRB) concerning Regulation Z, which implements the Truth in Lending Act (TILA). WBA will address several of the specific questions raised in the second ANPR as it relates to TILA provisions in the Bankruptcy Abuse Prevention and Consumer Protection Act of 2005 (Bankruptcy Act or Act).

Background.

The Bankruptcy Act, while amending primarily the bankruptcy code, also contains several new requirements and provisions amending TILA. The new TILA provisions primarily affect open-end (revolving) credit accounts and require new disclosures on periodic statements, and credit card applications and solicitations.

The new TILA provisions imposed by the Act include among other things: a *minimum payment warning* to be placed on each periodic statement of an open-end account warning of the effects of making only minimum payments; a clear and conspicuous statement of *introductory rate offers* on applications and open-end credit solicitations, including the effective rate after the introductory

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period, and the terms by which the introductory rate may be forfeited; for *Internet solicitations*, the same disclosures as those required for direct mail advertising; and *high loan-to-value mortgage disclosures* which must be provided at the time of application and in advertisements.

WBA respectfully submits the following comments on the above-noted provisions.

Questions 59-61: Minimum Payment Warnings.

The Bankruptcy Act requires that for open-end accounts, creditors must provide "minimum payment disclosures' on each periodic statement containing: 1) a statement indicating that making only the minimum payments will increase the interest the consumer pays and the time it takes to repay the consumer's balance; 2) a hypothetical example of the time it would take to pay off a specified balance if only minimum payments are made; and 3) a toll-free number that consumers can use to obtain an estimate of the time it would take to repay their actual account balance.

The Act expressly exempts from the minimum payment disclosure requirements "charge card" accounts, whereby the consumer and creditor have agreed by contract to a credit limit and repayment requirements. The FRB asks whether there are other types of credit beyond these charge cards which should also be exempt from these disclosures. WBA believes that the exemption should also apply to all open-end accounts for which there are contracted repayment provisions which identify minimum payment requirements as well as the maturity date of the obligation. The home equity line of credit (heloc) is an example of such an open-end credit product which should be afforded this exemption.

The FRB also questions whether the exemption should apply to those open-end credit accounts where the outstanding balance is regularly paid in full or, on a regular basis, payments are made in excess of the minimum payment. WBA fully supports an exemption in these instances because these consumers are not conducting their financial affairs in such way that would necessitate the warning provided by the disclosures.

Questions 62-65, 83-84: Periodic Statement Examples, Assumptions and Structure.

The FRB asks what APRs and other assumptions should be considered in creating the hypothetical examples mentioned earlier. Currently, there are statutory repayment examples which are based on 17 percent, yet FRB has determined the average APR to be 12.76 percent by commercial banks as of May 2005. WBA believes that the examples should be based upon the May

2005 data of 12.76 percent rather than 17 percent, as the May 2005 data is a more accurate reflection of today's average APR.

In connection with the hypothetical example, WBA suggests a disclaimer statement be made which alerts the consumer that an increase or decrease in the APR or other factors could cause the open-end account to be paid off in a time frame which differs from that which is indicated in the example. In addition, the disclaimer would be made in conjunction with the required toll-free number the consumer can call to obtain a better estimate of the time it would take to repay the consumer's actual account balance.

With regard to the requirement that a "clear and conspicuous" statement be made regarding introductory rates, WBA believes that there is no call for rigorous formatting provisions, such as a minimum type-size requirement. WBA's has long held that the current "clear and conspicuous" standard has well-served both consumers and creditors alike; therefore, we see no reason to tamper with this standard now.

Questions 93-95: Internet Solicitations.

WBA recommends the disclosure requirements currently required for direct mail solicitations be applied to Internet solicitations. If the purpose behind these new disclosure requirements is to educate consumers about open-end credit products, WBA does not believe a distinction needs to be made between Internet and direct-mail solicitations. In either case, the concerns are the same regardless of the method by which the consumer ultimately applies for credit; however, WBA reiterates its stance that no new formatting requirements should be imposed for these disclosures.

Questions 102-105: Disclosures for Home-Secured Loans that Exceed Dwelling's Fair Market Value.

Under the Act, creditors extending home-secured credit to consumers must provide additional disclosures for those loans which exceed the fair-market value of the dwelling. Currently, creditors are required under 12 CFR 226.5b (d) (11) to make a disclosure in connection with all open-end home equity loans. The statement directs the consumer to consult with a tax advisor regarding the tax deductibility of interest and charges related to the loan. WBA supports a similar disclosure for closed-end home-secured credit where the loan exceeds the fair-market value of the dwelling.

Conclusion.

While the Bankruptcy Act has created several new mandatory disclosure requirements on all types of open-end credit products, these mandatory disclosures are not the only method by which consumers can be better

educated about the characteristics and uses of open-end credit. Dissemination through educational programming and other efforts on these topics can also assist with Congress's intent to better educate consumers on the effects of open-end credit. WBA appreciates the opportunity to comment on the second ANPR issued by the FRB.

Sincerely,

Rose Oswald Poels

Rose Oswald Poels
Vice President—Legal